

Business Monday

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Robert T. Cox, president of King Radio, (left) and C.J. Weltsch, vice president of finance, display one of the manufacturing firm's gyroscopes. Paul Iwanaga/Staff

King Radio is tuned in to pilots' needs

The sounds of sawing and pounding disrupt the normal quiet of the executive offices of the King Radio Corp. But the expansion of its facilities in Olathe reflects an expanding market that corporate executives hope to see for the company's products over the next year.

King Radio produces airborne electronic communication, navigation and flight-control equipment used mainly in general aviation airplanes, such as those owned by businesses and individuals.

From its early days of sharing space in a rented farm-

house at 75th Street and Interstate 35, King Radio has grown to be an international exporter, having its principal facilities in Olathe, Ottawa, Lawrence and Paola, Kan., and a sales office in Geneva, Switzerland.

Although the company, which is publicly traded, has not yet announced final 1981 results, officials said last year turned out well.

"Because we have been able to introduce new products and our penetration of the market has increased some, our actual business went up," said Robert T. Cox, King Radio's president.

Last year the company had revenues of \$97 million and income of \$7.03 million. Through the first nine months of 1981, both sales and earnings were running ahead of year-ago levels.

The company is the result of an invention conceived by

a pilot, Edward J. King Jr. He left his job as an engineer with the RCA Corp. to start an electronic-components production company, which was bought by the Collins Radio Co., and which later merged with the Rockwell International Corp.

While managing the company bought by Collins, Mr. King tried to sell them on his idea of making crystal control transceivers for general aviation airplanes. When he could not interest them in his brainchild, he left and started the King Radio Co. to produce those items.

Those transceivers were an innovation for smaller aircraft, said C.J. Weltsch, King Radio's vice president of finance and corporate treasurer. Pilots had been using variable tuner transceivers, which had to be tuned from channel to channel by rotary knobs, rather than allowing

See KING, Page D-6, Col. 1

KING

Continued from Page D-1

pilots to click automatically onto a pre-tuned, air-to-ground channel, Mr. Weltsch said.

The transceivers "were and still are our principal line," Mr. Cox said. But recently the company has introduced several variations in its product line, including radar-related products, automatic pilots for planes and items for use in ocean navigation.

Over the years, the company's production space has grown to meet demand. From the original location, facilities were moved in 1960 to a building on Kansas 56 in southwest Olathe. That now serves as an Olathe plant. In 1964 the present corporate headquarters was built at 400 North Rogers Road near Interstate 35 in Olathe, and the other Kansas plants followed. The company also has hangar and research testing space at the Johnson County Industrial Airport in Olathe.

Additions to the headquarters were completed in 1968 and 1973. A third expansion is nearly finished, at a cost of about \$4 million, Mr. Weltsch said.

King Radio employs nearly 3,000 people in the manufacture of its products. Its market is worldwide. As a result, international politics is a

significant factor in the company's sales transactions.

"There are some countries with which we are prohibited from dealing," Mr. Cox said. "In some we can deal, but each export is subject to government approval."

It's not the exchange rates that worry Mr. Weltsch. "We sell in dollars, payable here," he said. Rather, it's the intricacies of political influences on debt payment that sometimes cause headaches.

"Early last year we had an order for \$1 million in goods from Poland," Mr. Weltsch said. "Mr. Cox, Mr. King and I sat down and discussed it. We didn't want to turn down the business," he said. But in light of the signs of worker discontent at that time, the three were concerned about being paid if the Polish government stepped into the situation.

"We went ahead and did it and got paid," Mr. Weltsch said. The merchandise went into exported Polish planes, rather than military equipment, he said.

Sometimes a country wishes to buy aircraft equipment such as that made by King Radio, but for political reasons wants it manufactured locally, Mr. Cox said.

"Under those circumstances, we entertain a deal to license to build in their country," the company president said. "Most of the time, this is a piece of equipment that's mature (that King Radio has manufactured

for some time)," he said.

In order to stay ahead in the market in such situations — there is always the threat of unlicensed manufacturing at a later date — King Radio must continue to refine its products, Mr. Cox said. "Technology is very transferable," he said.

King Radio presently is trying to secure a contract with the U.S. government to sell its products for military use. In 1980 the company sold \$2 million to the government, Mr. Cox said. In 1981 the sales increased to \$4 million, and expectations are for this figure to increase this year, Mr. Cox said.

Airline deregulation also has benefited King Radio's business. As scheduled airlines pull out of the smaller markets, businesses buy corporate jets, Mr. Cox said.

Herbert C. Buchbinder, an analyst with the investment firm of Kidder, Peabody & Co. Inc., said that although King Radio must feel the same economic frustration as the rest of the nation in the next six months, he foresees a positive future for the components manufacturer.

"In the long run this company is positioned very well to benefit from the growth in general aviation," Mr. Buchbinder said. "It has had tremendous success in the past five years on increasing its share of the market. But the financial market has finally caught up with them," he said.

But King Radio's movement into maritime and military products should help the company regain some of its previous growth pattern, and better economic conditions also would benefit King Radio, Mr. Buchbinder said.

Because of the company's strong performance, it has been speculated that the company is a likely takeover candidate. "It's no secret that Honeywell Inc. owns 8 percent" of King Radio's outstanding stock, Mr. Cox said.

Honeywell and other companies in the past have expressed interest in talking to King Radio about merger possibilities, but there are no plans for such an action, Mr. Cox said.

"Mr. King owns better than 50 percent," Mr. Cox said.

The 60-year-old chairman of the board is still active in the corporation. "He's a full-time employee. In no way is he semiretired," Mr. Cox said.

Meanwhile, the company hopes to participate in the growth it expects in the field of general aviation. Tighter money probably will mean that fewer airplanes will be bought for non-business reasons, Mr. Cox said.

But King Radio's hopes are pinned on expected growth in the corporate market. "We hope to gain, particularly in the growth of general aviation," Mr. Cox said.